

tempton

INTERIM REPORT
Q4 2020

Tempton Group

Q4 2020 HIGHLIGHTS

TOTAL INCOME

69.0 m€

GROSS PROFIT

18.3 m€

EBITDA

3.3 m€

STRONG Q4 PERFORMANCE

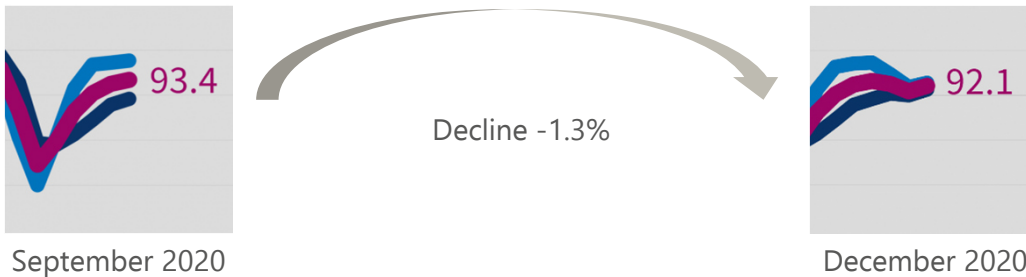
TEMPTON all-time high in Q4 2020 – in terms of total income and EBITDA

TRIA integration fully completed – operationally as well as financially

During Q3 and Q4 2020, Tempton (defined as Tempton Group GmbH and all legal entities affiliated with Tempton Group GmbH within the meaning of Section 17 of the German Stock Corporation Act (AktG)) successfully managed to almost completely offset the negative Top-Line impact of the Corona collapse in Q2 2020. The strategy of Tempton to keep its approximately 600 so-called internal sales employees fully operational throughout the entire year 2020 despite the Corona-related sales collapse and not to rely on short-term savings effects in personnel costs has thus proven to be absolutely correct. Tempton has gained substantial market share over the competition in 2020.

DEVELOPMENT TOTAL MARKET GERMANY

Mid-term development of BC Index Germany Q3 vs. Q4 2020¹

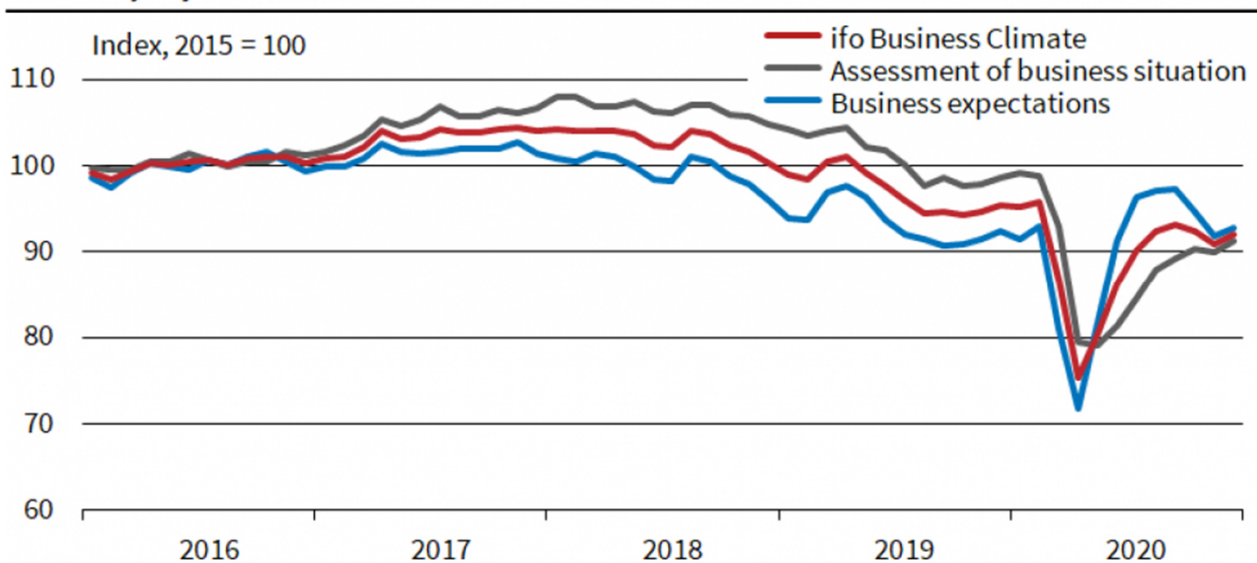


Note

The ifo Business Climate Index declined from 93.4 points in September to 92.1 points in December. Looking at the mid-term trend, the ifo Index has thus fallen again.

Short-term Development of BC Index Germany Nov. 20 vs. Dec. 20¹

ifo Business Climate Germany^a Seasonally adjusted



^a Manufacturing, service sector, trade, and construction.

Source: ifo Business Survey, December 2020.

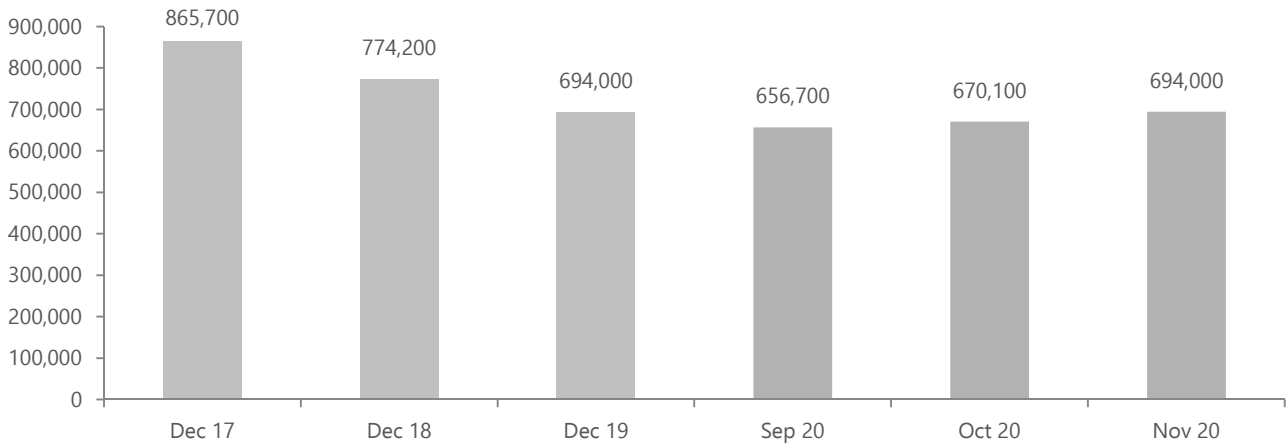
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Sentiment among German managers has improved. The ifo Business Climate Index rose to 92.1 points in December from 90.9 points (seasonally adjusted) in November. Companies were more satisfied with their current business situation. They were also less sceptical about the coming six months. While the lockdown is hitting certain sectors hard, overall the German economy is showing resilience.¹

¹ <https://www.ifo.de/en>

DEVELOPMENT TEMPORARY EMPLOYMENT MARKET

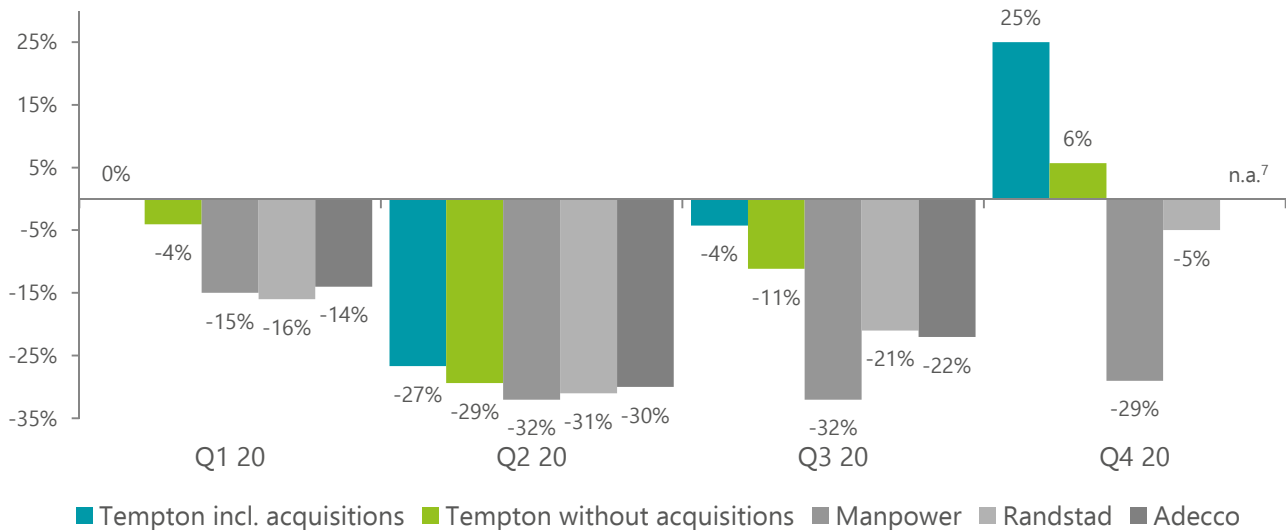
Temporary Employees Germany²



Note

The official labor market data of the Federal Employment Agency (*Bundesagentur für Arbeit*) are usually published with a delay of two to three months.

Exemplary market comparison based on turnover Germany (YoY)^{3, 4, 5, 6}



Note

The reporting period for acquisitions is twelve months.

² <https://statistik.arbeitsagentur.de/>

³ Tempton turnover according to internal reporting.

⁴ <https://www.adecgroup.com/investors/>

⁵ <https://investor.manpowergroup.com/>

⁶ <https://www.randstad.com/investor-relations/>

⁷ <https://www.adecgroup.com/investors/financial-calendar/>: Q4 2020 Results will be published on 25 February 2021.

KEY FIGURES – GENERAL OVERVIEW

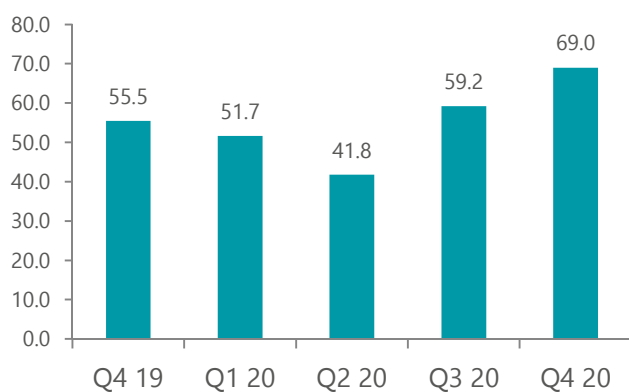
General note

The seasonal fluctuations in the turnover and EBITDA curve are typical for the temporary employment industry (timing of public holidays in the first and second quarter, strong capacity utilization in the third quarter).

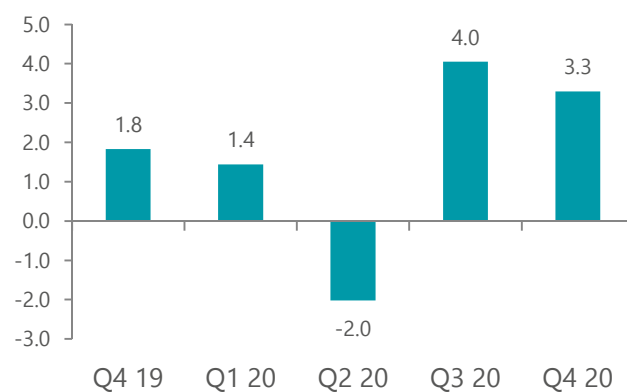
Key figures

in m€	Q4 20	Q3 20	Q4 19	01-12/2020	01-12/2019
Total income	69.0	59.2	55.5	221.7	224.6
OPEX	65.7	55.2	53.6	214.9	214.8
EBITDA	3.3	4.0	1.8	6.8	9.9
%	4.8%	6.8%	3.3%	3.1%	4.4%
EBITDA adjusted	3.3	4.0	2.8	6.8	11.0
%	4.8%	6.8%	5.0%	3.1%	4.9%

Total income (in m€)^{Note 1}



EBITDA (in m€)^{Note 2}



Note 1 – Total income

In Q4 2020, Tempton achieved the highest total income in the company's history. Despite the noticeable negative COVID-19 effects since March 2020, Tempton has thus reached the total income level of 2019.

Note 2 - EBITDA

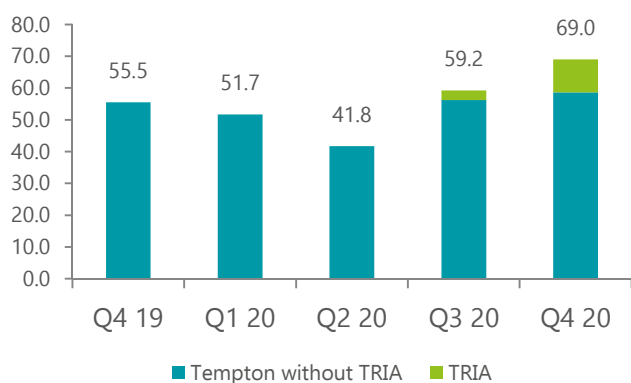
The EBITDA of Q4 2020 reflects the continuous positive development of the business and TEMPTON's fully extended performance level.

KEY FIGURES – DETAILED ELEVATION

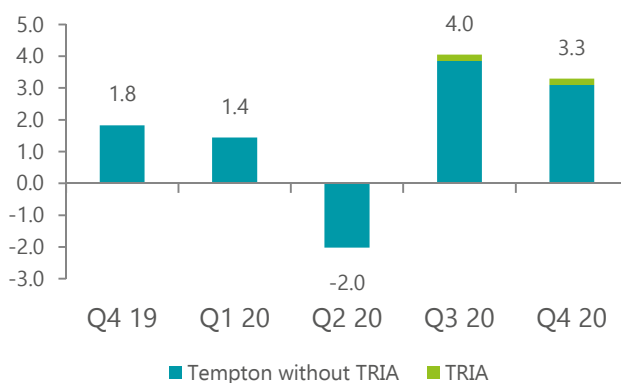
Key figures Q4 2020

in m€	Tempton w/o TRIA	TRIA	Tempton incl. TRIA
Total income	58.6	10.4	69.0
OPEX	55.5	10.2	65.7
EBITDA	3.1	0.2	3.3
%	5.3%	2.0%	4.8%

Total income (in m€)



EBITDA (in m€)

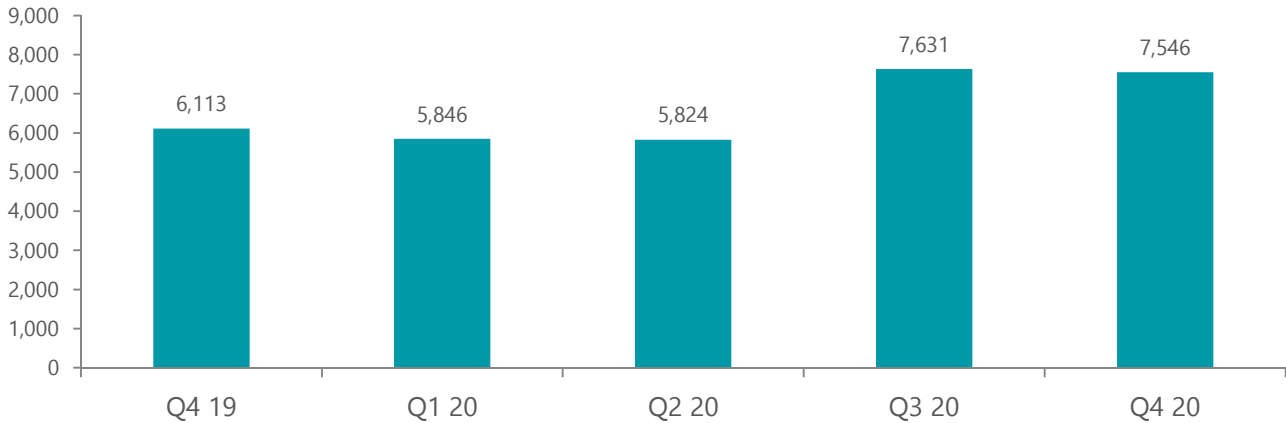


Note

TRIA acquisition was closed on 01.09.2020.

DEVELOPMENT TEMPTON OPERATIONS

Total number of employees

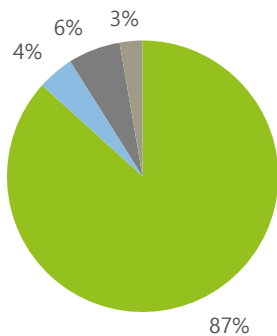


Note

A seasonal fluctuation in the number of employees is typical for the temporary employment industry. It is also typical that the number of employees decreases in Q4 compared to Q3. While the decline in Q4 2019 was -8.4%, it is only -1.1% in Q4 2020.

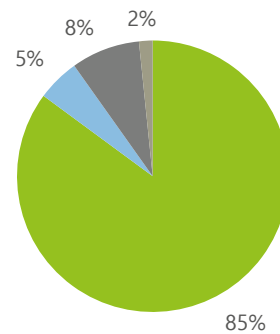
Development Business Segments⁸

Turnover by Business Segment – Q4 20 (percent)



■ Personnel services ■ Next Level
 ■ Technical services ■ Outsourcing

Gross profit by Business Segment – Q4 20 (percent)



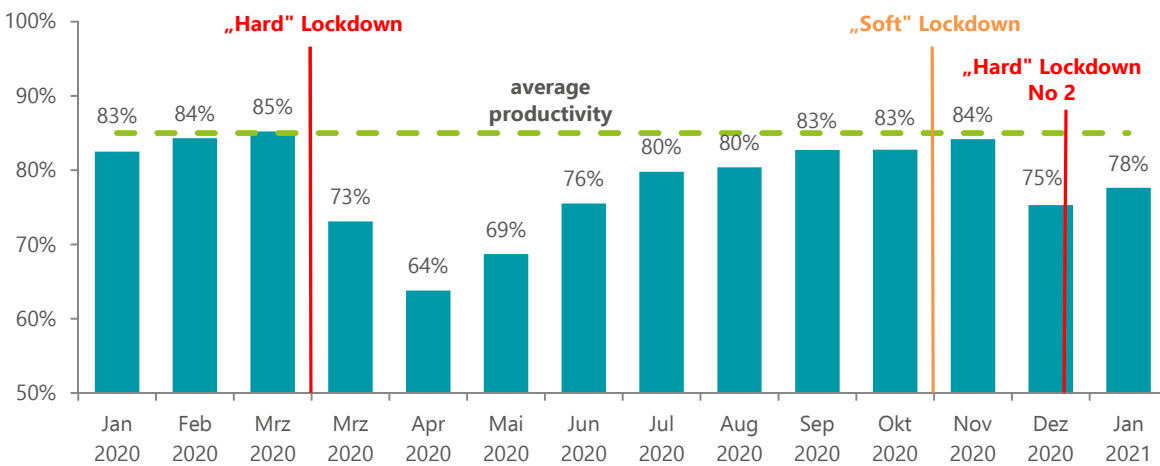
■ Personnel services ■ Next Level
 ■ Technical services ■ Outsourcing

⁸ Turnover and gross profit according to internal reporting.

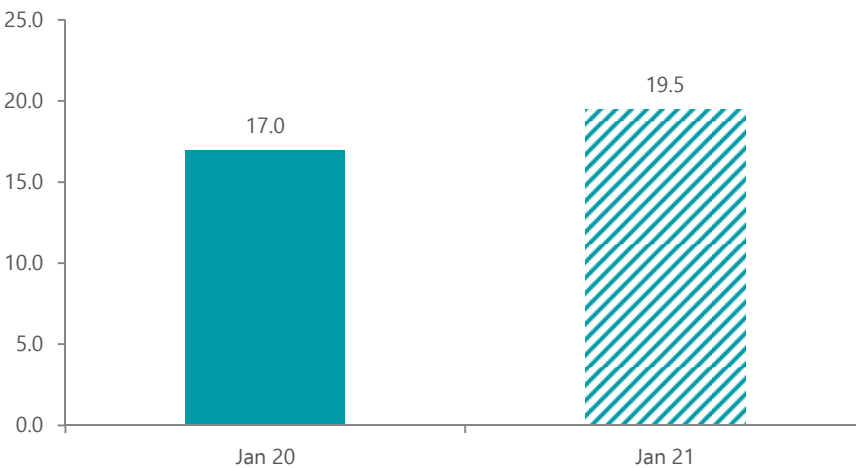
OUTLOOK

Since March 2020, productivity is artificially (negatively) influenced through officially ordered Lockdowns in Germany. However, due to its large and cross-industry customer base and its flexibility in its fixed costs basis Tempton is able to largely balance out the negative Lockdown effects.

Development of productivity



Total income comparison January YoY



Note

Compared to January 2020, we expect a pleasingly positive total income of EUR 19.5 million for January 2021, resulting in a growth of EUR 2.5 million. Additional sales potential lies inter alia in the fact that due to the current Lockdown No 2 productivity has not yet fully returned to a normal state.

COMMENTS RE. FINANCIAL STATEMENTS

Consolidation

The consolidated balance sheet is composed by combining the individual balance sheets of all subsidiaries included in the consolidated financial statements. Inclusion is based on the principle of full consolidation, i.e. all assets and liabilities of the included companies are adopted in the consolidated balance sheet with their full amount, except for those items that have been consolidated. Tempton Group GmbH directly or indirectly holds 100% of the shares of the consolidated subsidiaries.

Liquidity and cash flow

The cash balance has increased from EUR 20.2 million in Q3 20 to EUR 24.2 million in Q4 20. In addition, Tempton has liquid receivables of EUR 25.5 million as of December 31, 2020.

Key figures (in m€)

Leverage ratio

EBITDA LTM	6.8
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Net Debt

Bond loan (incl. accrued interest)	30.4
Cash balance	24.2

Net debt	6.2
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Net Leverage ratio	0.9
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Interest cover ratio

Interest expense	2.2
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Interest cover ratio	3.1
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Main risk factors

Given that Tempton has come through 2020 very well despite the severe macroeconomic consequences of the COVID-19 crisis, and also given the steadily improving vaccination rate in Europe and worldwide, Tempton no longer sees the COVID-19 pandemic as a relevant risk factor for 2021, but rather as an opportunity. The COVID-19-induced weakening of competition will rather open up the possibility for Tempton to further consolidate the market.

Tempton sees manageable risks for 2021 in the deterioration of customers' creditworthiness and increasing price pressure. Tempton has of course taken all necessary precautions to keep these risks well under control. However, as these risks affect the entire staffing industry, they will also create opportunities for further market consolidation in favour of Tempton.

Use of Alternative Performance Measures (APM)

Alternative performance measures are performance measures outside of the applicable financial reporting framework (HGB). Financial APMs are intended to enhance comparability of financial performance over time and are frequently used by analysts and investors. APMs may also be used internally as basis for performance related remuneration.

Tempton uses the following APMs:

DB2 means earnings before interests, taxes and depreciation (without financing costs for limited factoring on the level of Tempton Technik GmbH, Tempton Next Level Experts GmbH and Tempton Outsourcing GmbH).

GROSS PROFIT means total income after deducting cost of leasing staff and cost of materials.

Statement from the Board of Directors

The financial statements are, to the best of our knowledge and based on our most elaborated opinion, presented in accordance with generally accepted accounting principles. The information provided in the financial statements give a true and fair view of Tempton and Tempton's assets, liabilities, financial position and result. This interim report provides an accurate view of the development performance and financial position of Tempton.

Essen, 18.02.2021

Dr. Annett Tischendorf
CEO

Frank Seipenbusch
CFO

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

All figures in €	Notes	Q4 20	01-12/2020	Q4 19	01-12/2019
Revenues		68,486,220	219,026,979	54,534,768	221,819,169
Change in the inventory of finished goods and work in process		-412,086	-62,938	-43,448	309,962
Other operating income		919,802	2,714,984	971,515	2,512,942
Total income		68,993,936	221,679,025	55,462,835	224,642,072
Material costs					
costs of raw material, supplies, operating material and acquired goods		157,568	2,003,565	307,796	1,079,869
costs of services acquired		2,637,872	7,878,009	1,476,554	6,062,239
		2,795,440	9,881,574	1,784,350	7,142,108
Personnel costs					
wages and salaries		45,743,873	148,062,402	37,902,978	152,748,561
social security and expenses for old age pensions and support		10,122,183	33,512,560	7,870,136	33,828,392
		55,866,056	181,574,962	45,773,114	186,576,953
Depreciation		842,178	2,833,374	652,657	2,248,699
Other operating expenses		7,032,746	23,451,739	6,075,610	21,041,997
Other interest and similar income		4,947	15,563	2,404	24,540
Interest and similar expenses		596,226	2,196,727	561,620	1,465,173
Taxes		176,032	1,331,501	241,257	762,580
Profit after taxes		1,690,207	424,711	376,630	5,429,102
Other taxes		4,782	19,154	5,108	18,730
Group annual surplus/ annual deficit	1	1,685,425	405,556	371,522	5,410,372

CONSOLIDATED BALANCE SHEET (UNAUDITED)

All figures in €	Notes	31 December 2020	31 December 2019
ASSETS			
FIXED ASSETS			
I. Intangible assets			
1. Concessions, industrial property rights acquired for a consideration as well as licenses to such rights and values	2	1,567,226	1,289,550
2. Goodwill		12,728,236	11,302,647
		14,295,463	12,592,197
II. Tangible assets			
1. Real estate, titles to land and buildings including buildings on third party land	3	3,850,579	3,381,643
2. Technical equipment and machines		73,094	85,506
3. Other plants, office fixtures and fittings	4	4,595,722	3,218,387
		8,519,395	6,685,535
CURRENT ASSETS			
I. Inventories			
		1,651,793	1,842,417
II. Receivables and other assets			
1. Receivables of deliveries and services		25,582,313	23,122,046
2. Receivables from affiliated enterprises		11,045	27,411
3. Other assets		5,793,748	5,448,436
		31,387,106	28,597,893
III. Cash on hand, bank balances			
		24,177,034	26,924,213
PREPAID EXPENSES			
		1,141,793	1,037,549
TOTAL ASSETS			
		81,172,584	77,679,805

CONSOLIDATED BALANCE SHEET (UNAUDITED)

All figures in €	Notes	31 December 2020	31 December 2019
EQUITY AND LIABILITIES			
EQUITY			
I. Subscribed capital		25,000	25,000
own shares		-8,500	-8,500
		16,500	16,500
II. Capital reserves		500,000	500,000
III. Profit carried forward/losses carried forward		9,912,418	10,601,537
		10,428,918	11,118,037
PROVISIONS			
1. Provisions for pensions and similar obligations		2,908,601	2,601,013
2. Provisions for taxes		2,093,986	1,296,631
3. Other provisions		16,078,938	14,719,265
		21,081,525	18,616,909
LIABILITIES			
1. Loans and borrowings		30,420,000	30,420,000
2. Liabilities due to credit institutions		67	154,244
3. Liabilities from supplies and services		2,282,948	1,696,070
4. Liabilities due to affiliated enterprises		4,590	4,590
5. Other liabilities		16,347,202	14,624,612
		49,054,808	46,899,517
DEFERRED INCOME		607,333	1,045,342
TOTAL EQUITY AND LIABILITIES		81,172,584	77,679,805

CASH FLOW STATEMENT (UNAUDITED)

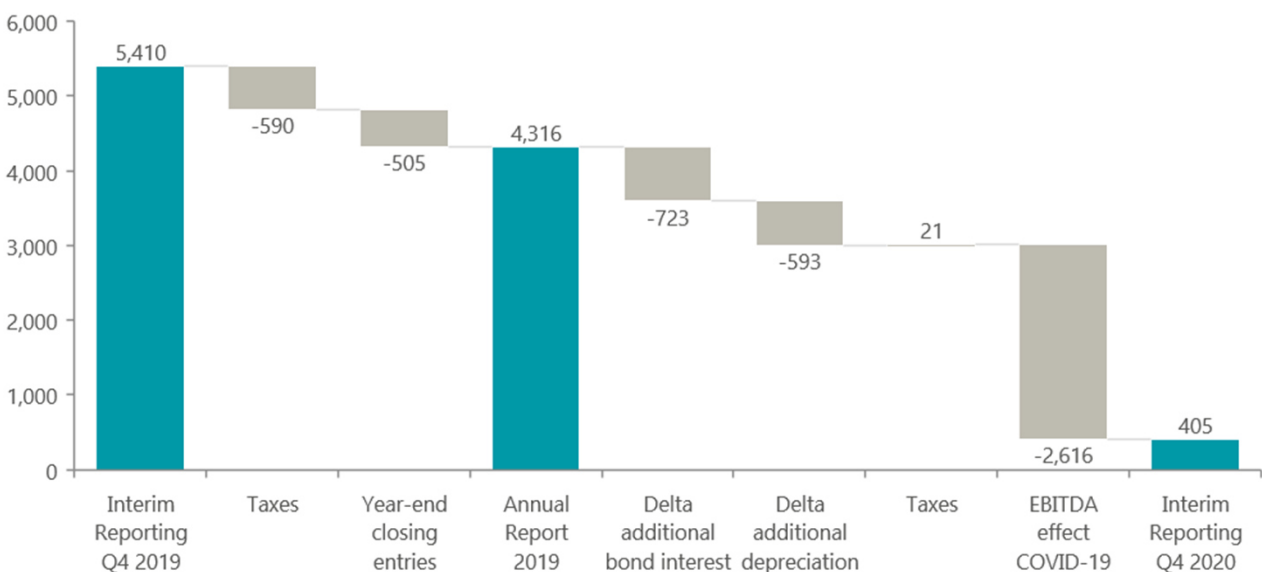
All figures in thousand €	Notes	Q4 20	01-12/2020	01-12/2019
Profit for the period				
(consolidated net income for the financial year)		1,685	406	5,410
Depreciation, amortisation and write-downs				
of fixed assets/reversals of such write-downs		842	2,833	2,249
Increase/decrease in provisions		934	1,577	-869
Other non-cash expenses/income		-116	-286	-211
Increase/decrease in inventories, receivables				
for deliveries and services and other assets				
not related to investing or financing activities		1,185	-3,348	-4,250
Increase/decrease in liabilities from supplies				
and services and other liabilities				
not related to investing or financing activities		1,252	1,916	2,258
Interest expense/interest income		591	2,181	1,441
Cash flows from operating activities		6,373	5,278	6,028
Payments to acquire tangible fixed assets		-1,950	-5,976	-5,450
Interest received		5	12	6
Cash flows from investing activities		-1,945	-5,965	-5,444
Proceeds from borrowings		0	0	30,000
Cash repayments of bonds and borrowings		0	-154	-18,449
Interest paid for financial loans and factoring		-480	-1,907	-816
Change in other financial liabilities		0	0	0
Cash flows from financing activities		-480	-2,061	10,736
Net change in cash funds		3,948	-2,747	11,319
Cash funds at the beginning of period		20,229	26,924	15,605
Cash funds at the end of period		24,177	24,177	26,924

NOTES

General

The group parent company operates under the name Tempton Group GmbH. The accounting transactions underlying this interim report comply with German commercial and company law regulations (HGB, GmbHG).

Note 1 – Group annual surplus bridge (in m€)



Note 2 - Intangible assets

Mainly relates to the strong and continued investment into TEMPTON's digitalization strategy and digital products, incl. myTempton App.

Note 3 - Tangible assets

Mainly relates to the strong and continued investment into the modernisation of Tempton's headquarter and into Tempton's 130 local branches.

Note 4 - Tangible assets

Mainly relates to the strong and continued investment into the state-of-the art technical equipment of newly opened and newly acquired branches (especially the former TRIA branches).

ABOUT TEMPTON

With headquarters in Essen, Tempton is one of Germany's leading and fastest-growing HR service providers. We currently operate almost everywhere in Germany with offices in more than 130 locations, regularly employing at the peak more than 8,000 motivated members of staff. Offering secure and attractive workplaces to people with vastly different qualifications – from skilled manual workers to highly qualified interim managers – is what motivates us. Our exceptionally positive corporate development is based on highly digitalized processes and innovative product strategies. Today over 10,000 corporate clients in many different industries rely on us to provide them with attractive HR solutions of every kind.

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